

Message Text

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46

ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 AGR-05 ABF-01 PRS-01

PA-01 SAM-01 IGA-02 SS-15 NSC-05 /087 W

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5953

C O N F I D E N T I A L CAIRO 10710

E.O. 11652: GDS

TAGS: EFIN, EG

SUBJECT: GOE REFUSAL PERMIT CHASE TO LEND USG-OWNED PL-480

CURRENCY

REF: STATE 192924

1. IN CONVERSATION AUGUST 10 WITH EMBOFF, ACTING CHASE NATIONAL REP DOYLE EXPRESSED OPINION THAT EGYPTIAN DOMESTIC SAVINGS ARE SUBSTANTIAL AND BANKING SYSTEM IS LIQUID IN POUND TERMS. PROBLEM IN GENERAL IS LACK OF FOREIGN EXCHANGE, NOT POUND FUNDS.

2. DOYLE MADE POINT, HOWEVER, THAT CHASE NATIONAL'S SITUATION IN PARTICULAR IS DIFFERENT. BANK HOLDS HIGH MARGIN OF CONVERTIBLE CURRENCY RESOURCES AGAINST LETTTER OF CREDIT ISSUANCES, PLACING MOST OF CONVERTIBLE HOLDINGS IN SHORT-TERM EURODOLLOR MARKET TO MAINTAIN LIQUID PAYMENTS POSITION. CHASE NATIONAL AS MATTER OF POLICY DOES NOT USE CONVERTIBLE L/C DEPOSITS TO ADD TO EGYPTIAN POUND HOLDINGS NEEDED FOR PLANNED LOCAL LOAN OPERATIONS. RESULT HAS BEEN THAT BANK HAS HAD TO BORROW LE 2 MILLION RECENTLY FROM NATIONAL BANK OF EGYPT FOR WORKING CAPITAL LOANS IN CONNECTION WITH CAPITAL GOODS IMPORTS FOR WHICH L/C'S OPENED AND FOR FINANCING
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OF COMPARATIVELY SMALL BUSINESS CONSTRUCTION PROJECTS. DOULE TOOK POSITION THAT CHASE

NATIONAL, UNLIKE ECONOMY IN GENERAL, IS SHORT OF POTENTIALLY USEFUL POUND FUNDING AND THAT DESANITIZING PORTION OF USG LE 10 MILLION DEPOSIT WOULD BE HIGHLY DESIRABLE IN SUPPORTING BANK'S ACTIVITIES IN NON-INFLATIONARY FASHION.

3. COMMENT: WE AGREE WITH DOYLE'S ASSESSMENT OF POUND LIQUIDITY IN ECONOMY. HIS COMMENTS ON INADEQUACY OF CHASE NATIONAL'S OWN HOLDINGS FOR LOAN PURPOSES ARE WELL TAKEN AND POINT UP UTILITY FROM BANK'S STANDPOINT OF FREEING DEPOSIT FOR LOAN PURPOSES. EVIDENTLY CHASE NATIONAL HAS DECLINED TO COONVERT BULK OF DOLLAR RECEIPTS SO AS TO INSURE PROMPT PAYMENT OF FX OBLIGATIONS, IN CONTRAST WITH USUAL SLOWNESS OF FOUR MAJOR EGYPTIAN BANKS.
EILTS

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Message Attributes

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Decaption Date: 01 JAN 1960
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